



POPULATION NOTES

Statewide housing prices rising after sharp drop

Martha McMurry

The median sales price of existing homes in Minnesota was \$87,500 in 1995-1996, data from the Minnesota Department of Revenue shows. In inflation-adjusted dollars, this was an increase from the \$85,000 recorded in 1989-1990 but considerably below the 1984-1985 figure of \$93,500. The median sales price means that half the homes sold for less than that amount and half for more.

The Department of Revenue's price data on arm's-length sales of existing residential units (sales to other than a close relative) is a good indicator of the market for existing homes throughout the state. It does not capture the new home market or the price of rental housing. The market for existing housing in turn is

considered a good indicator of the strength of the economy and the perceived desirability of different geographical areas. If housing values are rising, homeowners are building up equity, and local government can collect more taxes. On the downside, if prices rise too fast, many entry-level buyers will not be able to afford homes, and it will be difficult for current owners to move up to larger homes. In addition, retirees and other people on fixed incomes may have trouble affording the property taxes on rapidly appreciating property.

If housing prices decline in real dollars, homeowners do not build up much equity, and government tax revenues may fall. In areas with falling values, there is often no incentive to build new housing because the market value of new homes may be less than the cost of construction. Low resale values reduce homeowners' incentives to make improvements or invest in maintenance. Though housing may be more affordable in these areas, it may be hard to find because few new units are being built.

Highest values found in metropolitan area

Housing prices vary dramatically within Minnesota. Among counties, Carver (\$131,320), Scott (\$117,000) and Washington (\$115,000) had the highest median sales prices in 1995-1996. These are all growing suburban counties in the Minneapolis-St. Paul metropolitan area. Sales prices are generally higher in the southeastern quadrant of Minnesota, with the highest values found in the Twin Cities area. Housing demand is high in growing

HIGHLIGHTS

- The inflation-adjusted median sales price for existing homes in Minnesota was about \$6,000 lower in 1995-1996 than in 1984-1985.
- After dropping sharply from 1984-1985 to 1989-1990, housing prices have grown modestly statewide.
- Housing values in most rural areas have rebounded since 1989-1990.
- The price gap between high- and low-value homes has grown.
- The median inflation-adjusted sales price fell \$16,000 in Minneapolis and \$17,000 in St. Paul.

suburban counties. In addition, houses in these counties tend to be newer and larger than houses in more-established areas, a factor that also contributes to higher sales prices.

Among cities with 20,000 or more residents, Edina (\$175,900), Eden Prairie (\$145,000) and Plymouth (\$144,900) had the highest median housing sales prices. These are high-demand suburbs located west or southwest of Minneapolis. Among larger cities outside the Twin Cities area, Owatonna (\$81,800) and Rochester (\$81,500) had the highest values. Both cities are in southeastern Minnesota, where housing values tend to be relatively high.

The lowest sales prices are found in agricultural counties in western and southern Minnesota. In 1995-1996, the counties with the lowest median sales prices were Kittson (\$18,000), Lincoln (\$21,000), Red Lake (\$23,750) and Norman (\$24,500). Housing demand is low in these areas because they attract few new residents. In addition, the housing stock tends to be older and smaller and has fewer amenities.

Most rural and two urban counties post long-term declines

The inflation-adjusted median sales price fell 6 percent statewide from 1984-1985 to 1995-1996. This overall average conceals considerable variation by region. Most counties in western Minnesota and along the southern border posted long-term declines, as did Hennepin and Ramsey counties. The median sales

Median sales prices of existing homes show modest rebound

	Median sale price of existing homes			Change 1984-85 to 1989-90	Change 1989-90 to 1995-96	Overall change 1984-85 to 1995-96
	1984-85 (CPI-adjusted)	1989-90 (CPI-adjusted)	1995-96 (actual)			
Aitkin	\$45,300	\$39,200	\$54,200	-13%	38%	20%
Anoka	97,800	95,900	97,500	-2	2	-0
Becker	50,400	47,600	56,000	-6	18	11
Beltrami	59,100	52,200	55,950	-12	7	-5
Benton	70,100	64,700	76,000	-8	17	8
Big Stone	30,200	29,700	29,500	-2	-1	-2
Blue Earth	74,500	64,000	72,000	-14	13	-3
Brown	73,000	54,600	60,300	-25	10	-17
Carlton	46,700	46,100	55,000	-1	19	18
Carver	108,100	114,300	131,320	6	15	22
Cass	57,000	54,000	64,000	-5	18	12
Chippewa	43,800	34,600	38,750	-21	12	-12
Chisago	80,300	84,900	98,850	6	16	23
Clay	75,900	66,800	67,900	-12	2	-11
Clearwater	32,900	19,400	25,750	-41	33	-22
Cook	57,000	56,500	75,237	-1	33	32
Cottonwood	36,500	26,200	33,000	-28	26	-10
Crow Wing	59,700	55,700	65,700	-7	18	10
Dakota	112,400	109,200	114,500	-3	5	2
Dodge	70,100	60,100	74,200	-14	23	6
Douglas	70,600	61,300	71,725	-13	17	2
Faribault	43,100	34,000	26,000	-21	-24	-40
Fillmore	42,000	40,100	47,950	-5	20	14
Freeborn	56,800	48,500	45,900	-15	-5	-19
Goodhue	67,200	66,800	81,000	-1	21	21
Grant	36,500	32,200	33,700	-12	5	-8
Hennepin	108,100	103,800	101,900	-4	-2	-6
Houston	68,600	60,700	67,750	-11	12	-1
Hubbard	43,400	46,100	55,000	6	19	27
Isanti	73,900	72,900	82,950	-1	14	12
Itasca	51,100	44,700	52,000	-13	16	2
Jackson	47,500	24,300	33,750	-49	39	-29
Kanabec	43,800	45,500	54,250	4	19	24
Kandiyohi	75,900	61,900	67,838	-18	10	-11
Kittson	20,300	24,600	18,000	21	-27	-11
Koochiching	43,800	35,200	40,000	-20	14	-9
Lac Qui Parle	42,000	21,300	28,125	-49	32	-33
Lake	33,600	38,300	41,000	14	7	22
Lake of the Woods	29,900	31,900	40,000	6	25	34
Le Sueur	67,200	59,500	70,900	-11	19	6
Lincoln	29,900	18,200	21,000	-39	15	-30
Lyon	65,700	58,500	64,175	-11	10	-2
McLeod	79,500	69,400	79,900	-13	15	0
Mahnomen	32,100	31,600	36,750	-2	16	14
Marshall	30,000	32,500	32,237	8	-1	7
Martin	58,400	44,900	41,000	-23	-9	-30
Meeker	59,900	49,800	59,900	-17	20	0
Mille Lacs	54,000	52,200	60,500	-3	16	12
Morrison	49,700	51,400	49,900	3	-3	1
Mower	52,600	43,900	49,900	-16	14	-5
Murray	48,900	28,800	35,750	-41	24	-27
Nicollet	81,800	75,300	84,000	-8	12	3
Nobles	56,100	45,900	47,680	-18	4	-15
Norman	26,300	24,300	24,500	-8	1	-7
Olmsted	87,600	80,200	82,000	-9	2	-6

Values are expressed in 1995-1996 dollars.

Source: Minnesota Department of Revenue

Median sales prices of existing homes show modest rebound *(continued)*

	Median sale price of existing homes			Change 1984-85 to 1989-90	Change 1989-90 to 1995-96	Overall change 1984-85 to 1995-96
	1984-85 (CPI-adjusted)	1989-90 (CPI-adjusted)	1995-96 (actual)			
Otter Tail	55,300	47,000	52,500	-15	12	-5
Pennington	59,800	40,100	43,500	-33	9	-27
Pine	43,800	43,700	54,000	-0	24	23
Pipestone	32,500	31,300	29,900	-4	-4	-8
Polk	57,000	48,600	48,950	-15	1	-14
Pope	40,400	36,300	45,500	-10	25	13
Ramsey	101,500	94,700	88,000	-7	-7	-13
Red Lake	36,500	21,300	23,750	-42	12	-35
Redwood	58,400	36,400	40,600	-38	11	-30
Renville	46,900	34,000	33,500	-28	-1	-29
Rice	77,300	75,800	85,000	-2	12	10
Rock	50,700	34,600	52,000	-32	50	2
Roseau	46,000	48,600	53,000	6	9	15
St. Louis	50,800	48,500	55,000	-5	14	8
Scott	107,200	104,400	117,000	-3	12	9
Sherburne	83,700	82,000	95,000	-2	16	14
Sibley	46,700	44,900	45,500	-4	1	-3
Stearns	74,500	69,200	75,450	-7	9	1
Steele	73,100	69,200	78,660	-5	14	8
Stevens	53,400	38,900	42,000	-27	8	-21
Swift	36,500	34,600	37,500	-5	8	3
Todd	39,100	30,400	35,500	-22	17	-9
Traverse	31,600	19,400	29,750	-38	53	-6
Wabasha	64,300	58,300	70,000	-9	20	9
Wadena	46,000	35,800	34,700	-22	-3	-25
Waseca	67,600	58,300	68,000	-14	17	1
Washington	108,100	105,200	115,000	-3	9	6
Watonswan	53,300	31,600	33,500	-41	6	-37
Wilkin	42,300	44,900	35,000	6	-22	-17
Winona	64,200	60,600	71,500	-6	18	11
Wright	85,100	83,800	97,000	-2	16	14
Yellow Medicine	51,000	27,900	37,052	-45	33	-27
Minnesota	93,500	85,000	87,500	-9%	3%	-6%
Development regions						
1 Northwest	51,100	40,700	40,000	-20%	-2%	-22%
2 Headwaters	51,000	46,500	49,500	-9	7	-3
3 Arrowhead	49,600	46,100	54,000	-7	17	9
4 West Central	61,300	54,100	58,000	-12	7	-5
5 North Central	54,500	48,600	55,000	-11	13	1
6E Mid-Minnesota	70,100	60,700	67,900	-13	12	-3
6W Upper Minnesota Valley	43,800	30,400	35,000	-31	15	-20
7E East Central	67,900	66,800	77,000	-2	15	13
7W Central	78,600	75,200	85,900	-4	14	9
8 Southwest	53,300	37,600	42,000	-29	12	-21
9 South Central	68,500	57,100	63,500	-17	11	-7
10 Southeast	74,500	67,300	75,000	-10	11	1
11 Twin Cities Area	105,900	102,000	102,900	-4	1	-3
Outside Region 11	65,600	58,300	65,280	-11	12	-0

Values are expressed in 1995-1996 dollars.

Source: Minnesota Department of Revenue

price in Faribault County fell almost 40 percent, from about \$43,000 to \$26,000. Housing values also fell more than 30 percent in the counties of Watonswan (-37 percent), Red Lake (-35 percent), Lac Qui Parle (-33 percent) and Redwood (-30 percent), all agricultural counties in western Minnesota. The median price declined in both of the state's two largest counties: 6 percent in Hennepin County and 13 percent in Ramsey County. In agricultural counties, housing demand is low because so many people have moved out of the area. In Hennepin and Ramsey counties, falling values in the central cities and some of the suburbs have contributed to the decline.

Counties with the greatest long-term gains in median housing sales prices are generally either in northern Minnesota or close to the Twin Cities area. Lake of the Woods (34 percent), Cook (32 percent) and Hubbard (27 percent) counties are all in northern Minnesota. These counties have lakes, forests and other amenities, and demand for recreational property may be driving up prices. Carver (22 percent) and Chisago (23 percent) counties are part of the 13-county Twin Cities metropolitan area, while Goodhue (21 percent) and Kanabec (24 percent) counties are adjacent to it.

Several factors affect long-term city trends

Among larger cities, Duluth has seen the largest gain in housing sales prices, with an increase of 21 percent between 1984-1985 and 1995-1996. Duluth appears to be

recovering from the dismal 1980s, when the local economy was depressed and unemployment was high. Winona in southeastern Minnesota had an increase of 20 percent, from \$58,400 to \$70,000. Hemmed in by the Mississippi River and its bluffs, Winona cannot expand outward; thus, its supply of housing is limited. This, along with a greater demand attributable to a strong local economy, has driven up housing prices.

Among the larger Twin Cities suburbs, Andover led with a 16 percent gain, followed by Lakeville with a 14 percent rise. Both are fast-growing cities in the outer ring.

At the other extreme, the inflation-adjusted median sales price fell 17 percent in Minneapolis and 18 percent in St. Paul. Central-city housing prices vary widely by neighborhood, making it likely that trends in prices also differ greatly; trend data by neighborhood, however, is not available in this data set.

Many suburbs, particularly those in the inner ring, also experienced falling values. Among suburbs with 20,000 or more population, those with the largest declines included Brooklyn Center (-17 percent), Fridley (-13 percent), Brooklyn Park (-12 percent) and Crystal (-11 percent). These suburbs are all north or northwest of Minneapolis.

Outside the Twin Cities, noticeable declines in housing prices occurred in Moorhead (-11 percent) and Rochester (-9 percent).

Twin Cities price growth lags behind regional average

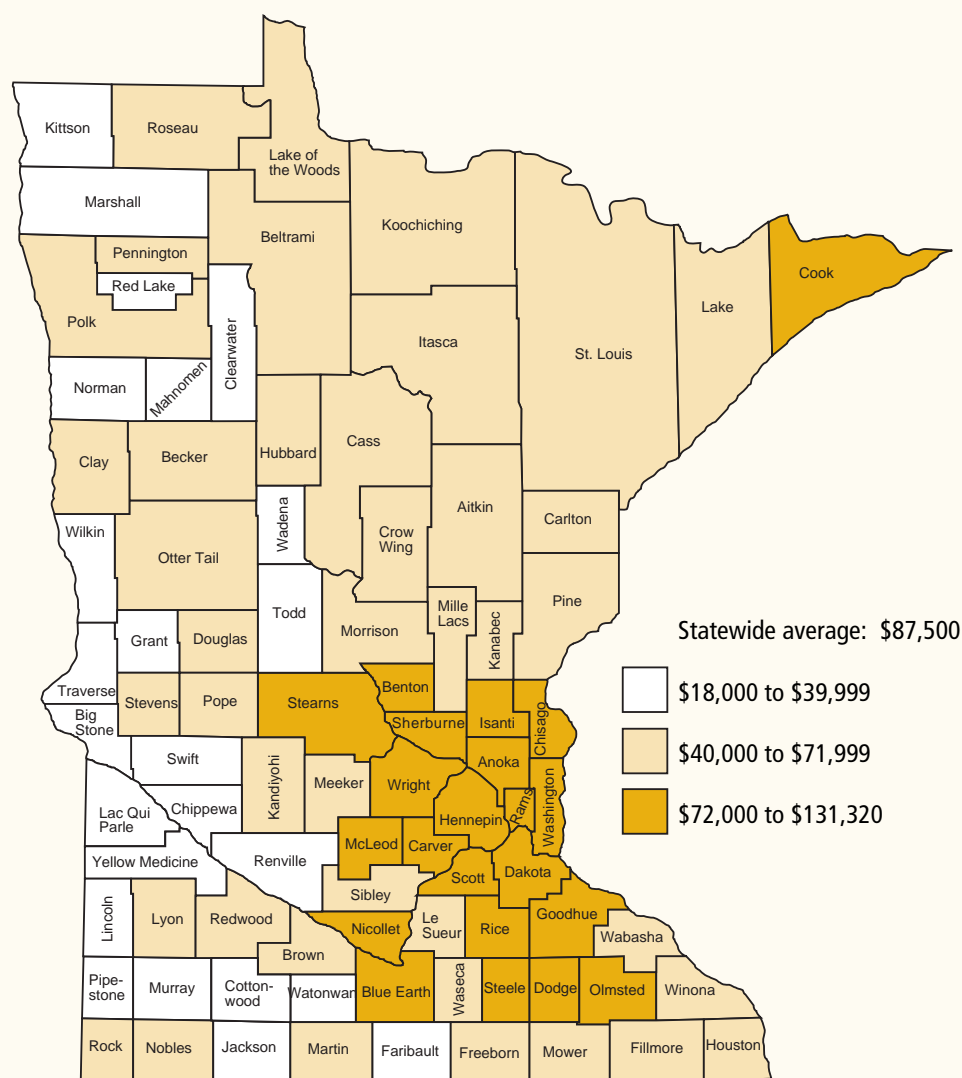
Data for other states that is exactly comparable to that presented in this report is not available. The *Statistical Abstract of the United States* reports median sales price of existing one-family homes for large metropolitan areas and four major regions of the country. These figures are estimates based on the decennial census, the

American Housing Survey and information provided by realtors. According to this source, the median 1996 sales price for existing one-family homes in the Twin Cities area was about \$113,900, a very slight increase from the inflation-adjusted 1984 figure of \$111,700.

The Twin Cities median prices shown in the *Statistical Abstract* are somewhat higher than those in the Department

of Revenue data. The fact that the numbers differ is not surprising, given the totally different methodologies involved. The two sources agree that the inflation-adjusted median price in the Twin Cities area has been rather stable over the past decade. This is in contrast to the overall trend for the Midwest, where the median sales price rose 16 percent.

Median sales price of existing homes in 1995 to 1996



Source: Department of Revenue

More recent trends show growth in some areas

Trends in housing prices from 1989-1990 to 1995-1996 are more positive than those tracked from 1984-1985. In most parts of Minnesota, housing sales prices moved upward between 1989-1990 and 1995-1996. Statewide, the inflation-adjusted median sales price rose 3 percent, and 74 of 87 counties had increases. The rise in housing sales prices has been greater outside the seven-county Twin Cities area. The median sales price rose only 1 percent in the Twin cities area, compared to 12 percent overall in the other 80 counties.

Even in agricultural areas, most counties saw gains in

median values in the more recent period, though median prices remain below their 1984-1985 levels. Gains in employment, more positive population trends and a stronger farm economy have increased demand for housing in rural areas in the 1990s.

Hennepin and Ramsey counties continued to see declining sales prices in this recent period. The inflation-adjusted median price fell 7 percent in Ramsey County and 2 percent in Hennepin County. Housing values in Minneapolis and St. Paul continued to fall.

Housing value gap increases

The price gap between higher- and lower-value homes has grown considerably. This can

be seen by looking at the trend in sales price at different percentiles. Percentiles, like medians, divide a distribution that is ranked from high to low. At the 10th percentile of sales prices, 10 percent of homes sold for less than that price and 90 percent sold for more; at the 75th percentile, 75 percent sold for less and 25 percent sold for more.

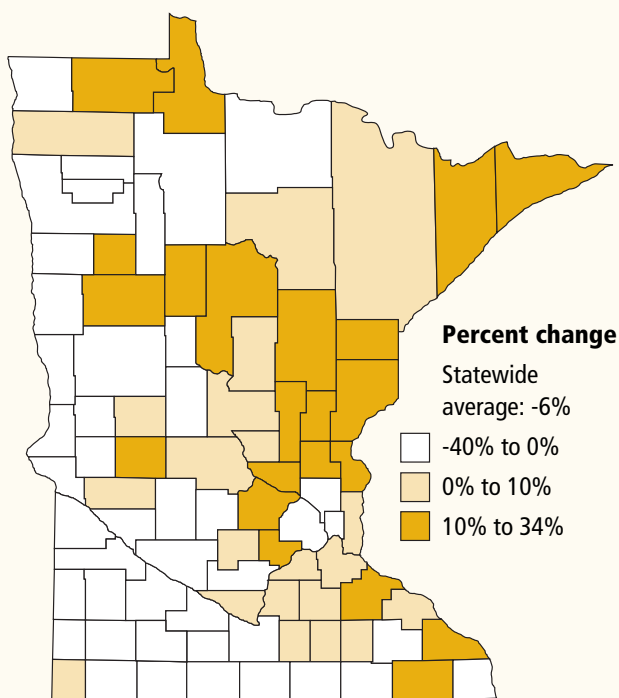
Statewide between 1984-1985 and 1995-1996, less-expensive homes became cheaper, while higher-value homes grew costlier. Among the least expensive homes — the 10th percentile — the average inflation-adjusted price fell from \$42,400 in 1984-1985 to \$37,000 in 1995-1996, a decline of about \$5,400. At the 90th percentile, the price went

up \$10,700, from \$156,300 to \$167,000.

This trend to greater extremes in the distribution of housing prices was most pronounced in the Twin Cities region, particularly in Minneapolis and St. Paul. In Minneapolis, the inflation-adjusted sales price at the 10th percentile plunged from \$65,100 in 1984-1985 to \$42,000 in 1995-1996, a decline of more than \$23,000. At the 90th percentile, the sales price rose from \$153,300 to \$158,900. St. Paul saw a similar decline in housing values at lower levels, but prices did not change at the 90th percentile.

Outside the Twin Cities area, housing prices remained more stable except at the top of the

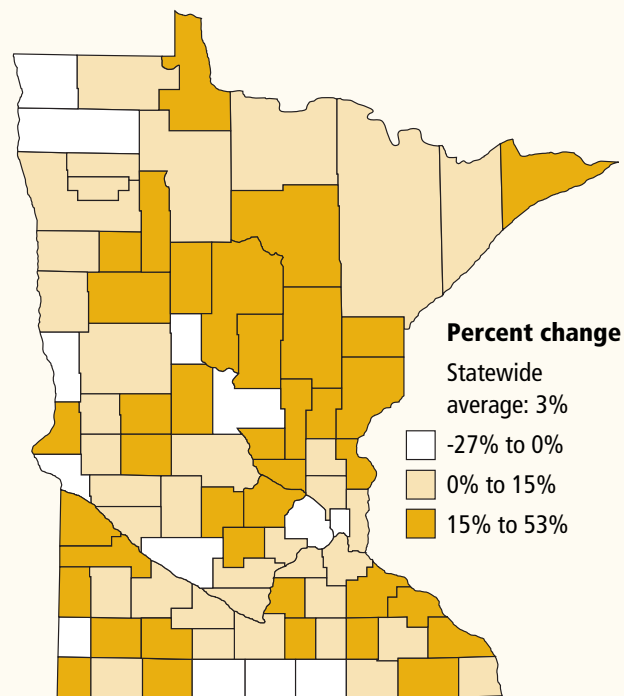
Housing prices decline for much of the state from 1984-1985 to 1995-1996



Note: Prices are adjusted for inflation.

Source: Department of Revenue

Housing prices climb back up in most counties from 1989-1990 to 1995-1996



Note: Prices are adjusted for inflation.

Source: Department of Revenue

Median sales price of existing homes falls in many larger cities

Cities with 20,000 or more population, in order of size

	1984-1985	1995-1996	Percent change
Minneapolis	\$94,200	\$77,900	-17%
St. Paul	92,000	75,000	-18
Bloomington	119,600	112,000	-6
Duluth	51,900	62,950	21
Rochester	89,100	81,500	-9
Brooklyn Park	105,400	92,500	-12
Coon Rapids	96,200	91,884	-5
Plymouth	138,500	144,900	5
St. Cloud	72,900	73,000	0
Eagan	113,100	119,900	6
Burnsville	125,600	117,500	-6
Minnetonka	135,400	139,000	3
Eden Prairie	138,700	145,000	5
Edina	175,200	175,900	0
Maple Grove	113,200	114,950	2
St. Louis Park	102,100	98,325	-4
Blaine	97,100	92,000	-5
Apple Valley	117,600	111,600	-5
Lakeville	110,300	126,000	14
Richfield	103,700	95,100	-8
Roseville	113,900	108,225	-5
Maplewood	103,700	99,000	-5
Moorhead	78,100	69,900	-11
Woodbury	125,400	128,500	2
Mankato	76,700	74,700	-3
Cottage Grove	105,100	102,900	-2
Brooklyn Center	98,600	82,000	-17
Fridley	106,200	92,900	-13
Inver Grove Heights	103,700	100,000	-4
Winona	58,400	70,000	20
Shoreview	121,600	119,000	-2
White Bear Lake	105,100	99,900	-5
Oakdale	97,800	103,000	5
Crystal	95,700	85,000	-11
New Brighton	124,900	115,000	-8
Austin	53,300	49,318	-7
New Hope	115,600	108,000	-7
Andover	104,600	121,500	16
Golden Valley	129,200	125,760	-3
Owatonna	76,200	81,775	7
South St. Paul	93,300	81,450	-13

Note: Values are expressed in 1995-1996 dollars.

Source: Department of Revenue

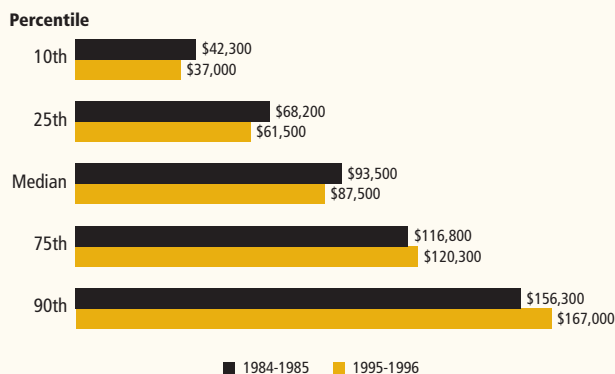
distribution, where the 90th percentile sales price rose from \$109,500 to \$124,000. This indicates an increased market for upscale housing outside the Twin Cities area. Overall, the cost of average and lower-price housing has not changed much in these 80 counties.

Note on data sources

The data on arm's-length sales of existing housing units comes from the Property Tax

Division of the Minnesota Department of Revenue. This report covers sales during three time periods: January 1984 to September 1985, January 1989 to September 1990, and January 1995 to September 1996. Because each file covers 21 months instead of a single year, it provides more meaningful data in smaller counties, where real estate sales are less frequent.

Spread in Minnesota housing prices widens

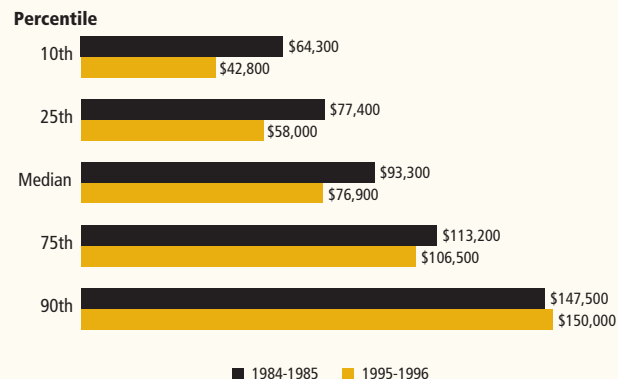


The least expensive homes dropped in value, while the most expensive increased.

Note: Prices are adjusted for inflation.

Source: Department of Revenue

Combined Minneapolis and St. Paul housing prices decline at lower ranges



Note: Prices are adjusted for inflation.

Source: Department of Revenue

Property in Minnesota cannot be legally transferred unless a certificate of value is completed and filed with the county auditor. Copies of this certificate are sent to the Revenue Department for all houses that were completed and assessed as of January 1 and sold during the same calendar year. In theory, the data covers all sales of existing homes, though contract for deed transactions occasionally may not be filed. Included with sales of single-family homes are sales of townhouses,

condominiums, duplexes and triplexes. Residential units with four or more units, such as apartment buildings, are excluded. The analysis reported here excludes multiparcel sales and properties with more than one acre. Only two types of deeds, warranty deeds and contract deeds, are included; these account for the vast majority of housing sales.

To control for inflation, the 1984-1985 and 1989-1990 sales prices were adjusted

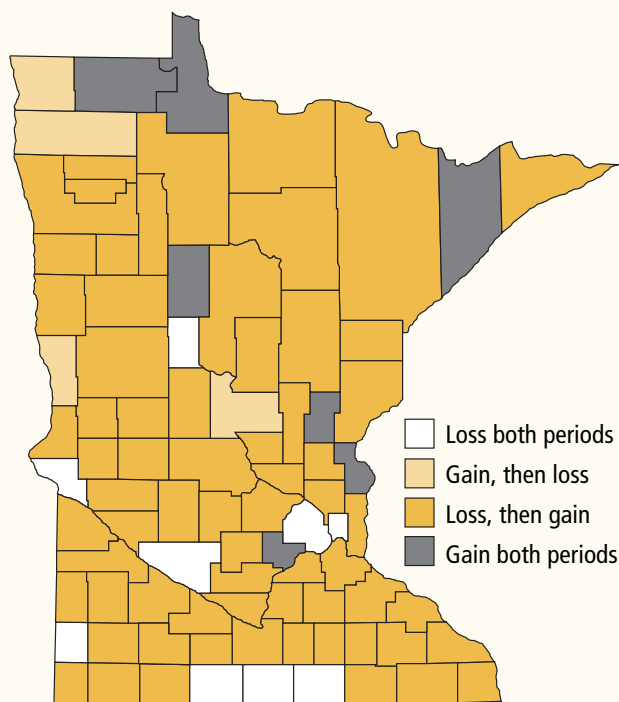
using the CPI-U consumer price index from the U.S. Bureau of Labor Statistics. The 1984-1985 sales prices were adjusted by the ratio of the average of the 1995 and 1996 CPI-U values to the average of 1984 and 1985 values. The 1989-1990 sales prices were adjusted using the ratio of the average of the 1995 and 1996 CPI-U values to the 1989 and 1990 average value. In effect, this means that sales prices for 1984 and 1985 were multiplied by 1.4603 and sales prices for 1989 and 1990 were

multiplied by 1.2144 in order to obtain an equivalent price in 1995-1996 dollars.

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Tom Clark of the Minnesota Department of Revenue provided the residential sales data. Monte Aaker of the Minnesota Housing Finance Agency and Ann Ziebarth of the University of Minnesota commented on an earlier draft of this report. Karin Holt assisted with the data analysis.

Housing prices rebound in most counties when 1984-1985 to 1989-1990 change is compared to 1989-1990 to 1995-1996 change



Note: Prices are adjusted for inflation.

Source: Department of Revenue

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Uncle Sam wants you**Help sought for the year 2000 census**

An accurate census is critical to Minnesota's future. The year 2000 census will determine Minnesota's representation in Congress for the next decade, along with how much federal money it will get for various programs. The census also will provide the information needed to set legislative districts, operate community programs and locate neighborhood centers, schools and health facilities.

It will take a huge work force to collect this data. The preparation of address lists and map files already is underway in Minnesota. Between now and the middle of the year 2000, thousands of Minnesotans will be needed in temporary positions as field checkers, enumerators (census takers) and office workers.

To maintain this work force, the U.S. Census Bureau will be constantly recruiting people, even after field work begins. Because of the tight labor market, the bureau will be looking for people who can schedule census jobs around their current

employment, as well as people who are unemployed, retirees, students age 18 or older and participants in welfare programs. The bureau prefers to have people work in their own neighborhoods, so the census work force reflects the community.

Become a recruiting partner

You and your organization may want to become recruiting partners with the Census Bureau in this effort. You can help by advertising census jobs in your organization's newsletter, setting up neighborhood recruiting kiosks, distributing recruiting materials to schools, churches and temples and other organizations, and spreading the word to family, friends, colleagues and professional associates.

To find out more about becoming a Census Bureau recruiting partner, call Joe Geary, Minnesota Partnership specialist, at 651-296-7939. Job applicants can call 888-325-7733 toll-free for information.

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